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## Analysis Of The Relationship Between Working Capital And Cash Flow And Its Influence On Financial Performance

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### Abstract

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Objective study This For analyze connection between working capital with Genre cash flow and its effects to performance finance. Through literature studies from results study past and results study This showing that working capital and flow cash flow has very close relationship . working capital and flows cash flow is very blessed tightly . Working capital can be measured with see rotation cash flow at a time period time certain factors and Working Capital and Cash Flow are influential to performance company . The more tall level cash turnover means increasingly fast return of incoming cash to the company . With Thus , cash will be can used return as working capital For finance activity its operations so that No bother condition finance company with thereby can increase profits for company . Suggestions for further research are several study Still focused on cash flow \_ general , preferably done study in a way deep to three type cash flow ie operations , investments and financing .

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### INTRODUCTION

Report finance is crucial thing \_ in the world of economics . Companies need report reliable finances \_ For know position latest something organization nor individual and for take future decisions . \_ By general report finance can served in form report (a) profit contained loss \_ income , costs , and profits \_ nor make a loss something company ; (b) report position finances containing assets , debts or company capital ; (c) report changes in capital containing initial capital , additional paid-in capital , profit / loss company , or dividends ; and (d) reports cash flow contains cash flow from activity operations , investments nor funding.

Each account on the report finance account give information important for each holder interest both internal and external . One of holder interest on report finance This is

manager . Information received \_ from report finance Then made base in determine the necessary strategy taken by the organization or company.

One of report finance that is report cash flow . Report This containing information current enter nor go out from company cash . Cash is a current asset presented in report position finance . Asset fluent means easy assets For melted or liquid in nature. Information on this cash can show ability company in activity operations , investments nor funding . Something organization can considered succeed If can produce large cash inflow \_ \_ likewise on the contrary company considered perform bad If cash inflow \_ No There is even negative . This matter because cash can also used for finish debt period short company . If not have cash, then company will trouble in finish his obligations.

Type report finances are not lost importance is report change in capital. Report changes in capital represent the initial capital company , plus change in capital from profit company and dividends distributed \_ to holder share . Capital is matter important for company , where one \_ used in finish debt period short or debt that will due date. One of component of capital is working capital . Working capital consists from current assets such as cash, inventory , etc receivables business . Working capital This Then used in activity operation organization or company . This matter make working capital management becomes very important for sustainability company.

Working capital management can be measured from cycle cash conversion . According to Brigham and Hoston (2014) in Sirait (2018) explains that cycle related cash conversions with how long cash is tied up with working capital . Cycle cash conversion illustrates internal cash turnover something period . From the cycle cash conversion is possible seen How company use current the cash . The more tall rotation cash flow , then the more Good or efficient company in maximizing use of working capital vice versa \_ If low cash turnover so can concluded there is money or funds held up or No used in a way maximum . This matter show that connection between working capital and cash flow is very close.

Working capital is a collection of funds owned by a functioning company For fulfil cost activity company every day For invested as a current asset . According to Nasrollah ( in Aritonang , 2022) working capital own significant impact \_ For predict future cash flows , due to working capital considered as a helpful instrument company in carry out activity the operation.

Working capital and cash flow can be become reject measuring in evaluate performance company . A number of writer has do study about working capital relationship with cash flow and leverage both of them to profitability company like Pantjaningsih (2022), Sihombing et al (2022), Asmoro (2021), Komsyah (2020), Aritonang (2022), Silalahi (2023), Sirait (2018), Supiyadi (2018).

Due to the importance of working capital and cash flow to organization or company, then in study This own objective for :

1. Know connection between working capital and cash flow
2. Know the influence of working capital and cash flow on performance company

### **Working capital**

Working capital own important role \_ for company . To be able to walking, then company need have sufficient working capital . Working capital is term capital short later used For activity operation organization . Brigham ( in Anfas , 2022) later divide working capital This become two part namely working capital gross (working capital) and working capital net (net working capital). Second, working capital the own similarity that is relate with current assets the difference is in working capital clean, current assets the reduced with obligation fluent.

Based on need on working capital , WB Taylor ( in Anfas , 2022) groups working capital become two form namely working capital fixed and variable working capital . Working capital still means amount of capital required provided by the company every moment in operate activities , while the amount of variable working capital depending on the conditions faced by the company.

Based on working capital concept Gitosudarmo ( in Sirait , 2018) working capital divided by 3 (three) becomes :

1. Draft quantitative working capital is amount of funds available in asset current affairs in the form of cash, receivables , inventories , capital cost . Invested funds in assets fluent will experience rotation in short time . \_ So the amount of working capital is a number assets fluent .
2. Draft qualitative working capital linked with the amount of current debt that must be paid quick in period short . The amount of working capital is amount of invested funds in assets really smooth \_ can used For finance the operation company or after reduced the size of the current debt . In other words, the amount of working capital is excess assets current on current debt . \_
3. Draft functional working capital is based on function from funds for produce income . The income in question is income in One period accounting (current income) is open in periods next (future income). From understanding the so there is a number of funds that are not generate current income, or if produce No in accordance with mission company , which is called nonworking capital.

Working capital management become crucial thing in company , because can influence taking decision For the amount and composition of current assets and how finance asset This . If company No can manage working capital so company can experience difficulty in fulfil obligation anchor short nor will \_ due date. One of working capital components is cash. The cash turnover rate is size efficiency use of cash carried out by the company . Cash turnover illustrates speed cash flow , the return of cash that has been invested in working capital . In measure level existing cash turnover embedded in working capital is originate from activity operational company .

### **Cash flow**

Cash flow according to Weygent , Kimmel and Kieso ( in Husain, 2021) are cash receipts , withdrawals cash and net cash balance from activity operations , investment and financing during period certain . Likewise with Weygent , Setuowati , at al (2016) also explain that cash flow is good cash flow coming in whatever out used by management company For activity operations , investment and financing in period period certain .

For see cash inflow and outflow to the company so used report cash flow. According to PSAK no. 2 of 2012, uses and benefits report cash flow is :

1. Report This serve information regardingl change net asset value company and level liquidity nor solvency finance company .
2. There is cash flow statement then interested party can see ability company in generate cash or cash equivalent.
3. Listed cash flows moment this and eperiod previously Can become reference For know future cash flows
4. Information cash flow can increase comparability reporting on performance different operations .

Report this cash flow load three component main that is cash flow for (1) activities operation ; (2) activities investment ; (3) activities funding.

#### **Cash Flow from activity Operation**

According to Warren at al. (2014) cash flow from activity operation load report incoming cash flow nor go out on activity operation company daily. this cash flow tightly connection with activity company which is direct influence profit or make a loss company . A number of activity operational according to PSAK No. 2 of 2015 are:

- a. Cash inflow from activity sale or cash receipts from customer .
- b. Cash inflow from other income such as claim insurance , commission, etc licence
- c. Cash outflow For pay suppliers
- d. Cash outflow For pay employee salary , allowances or bonuses
- e. Cash outflow For pay debt tax

#### **Cash Flow from Activity Investment**

According to PSAK No. 2 of 2015 cash flow from activity investment refers to additions nor reduction in fixed assets or period long on a company . Activity investment This reflect earnings and cash flows that will accepted in the future upcoming . A number of example activity investment like :

- a. Cash outflow on purchase of fixed assets like land or buildings, assets not tangible , and long-term assets long others .
- b. Cash inflow on sale of fixed assets and term assets long other .
- c. Cash outflow on purchase share or acquisition

According to Warren at al. (2014) current Kasdari activity funding load incoming cash flow or out related change equity or internal capital something company . Example activity funding :

- a. Cash inflow on ordering share
- b. Cash outflow on payment to holder share
- c. Cash inflow from publishing bonds, and loans

### **Financial performance**

Report generated finances \_ company show performance company in One period accountancy. According to Brigham and Houston (2001:78), report finance is fact that report finance can used For help predict future profits and dividends . From the corner investor's view , analysis report finance used For predicting the future , whereas from corner look management , analysis report finance used For help anticipate future conditions and beyond important as point beginning For planning action that will influence future events.

According to Sartono (2001:113), analysis report finance can give knowledge about strengths and weaknesses a business enterprise The resulting calculations from ratio finance will show ability company For pay obligations held , value considered receivables rational , efficiency management inventory , planning expenditure good investment , and a healthy capital structure For achievement objective company in provide returns for holder share.

Information generated finances management in report finance can interpreted varies by user report finance . Management will notice all aspect analysis finance good in nature period short nor period long because not quite enough answer For manage operation company every day and gain competitive profit . According to Cashmere (2008), ratio the most frequent financial used in frame measure performance finance is (a) Ratio Fluent ; (b) Ratio Activity ; (c) Ratio Profitability ; and (d) Ratio Solvency.

Besides use ratio finance , performance can be measured with how much big something company in produce profit company . Profit obtained from income something company reduced costs incurred by the company in period time certain . The profit earned by the company in the end will affect company capital.

### **The relationship between working capital and flow cash flow**

Working Capital and flows cash flow is very blessed tightly . Based on research conducted by Aritonang (2022), Asmoro (2021), Komsyah (2020), Pantjaningsih (2022), Sihombing (2022), Silalahi (2023), show the relationship between working capital and cash flow. In general, this research shows that Cash Flow as a component of fixed assets is part of Working Capital.

Working capital can be measured with see rotation cash flow at a time period time certain . Cash turnover is ratio used \_ For measure level cash availability for pay bills (debts) and related costs with sale . Increasing cash turnover tall will the more ok, because This show the more efficiency in cash use. (Cashmere 2020). Excessive cash turnover with too much working capital small will result not enough can fulfil need company . Thereby otherwise , with the more low cash turnover results the amount of

cash that is not productive . However the more tall this cash turnover will the more well , because that means something the more tall efficiency use the cash.

Ratio cash turnover (cash turnover) functions For measure level adequacy of working capital company required For pay bills (debts) and costs related with sale . (Kasmir , 2020) Cash turnover can calculated with method sale divided by working capital clean.

The cash inflow that enters the company will then be used as working capital. If there is a lot of excess or unused cash, it can be assumed that cash is not used optimally as working capital. This shows the need for good capital management. According to Horne and Wachowicz ( in Ginting, 2018) working capital management is administration asset fluent company and the funding required For support assets fluent.

According to Sawir (in Ginting, 2018) working capital management aims to:

- a. Maximizing mark company with manage Current assets include cash and cash equivalents so that level return marginal investment is The same or more big from cost of capital used For finance asset fluent the .
- b. Minimize in period long cost of capital used For finance asset fluent .
- c. Supervision to internal cash flow asset smoothly and availability of funds from source of debt so company always can fulfil obligation his finances when due date.

### **Influence cash flow and working capital to performance finance .**

Some authors not only examine the relationship between Working Capital and Cash Flow Streams. Several authors conducted further research using Working Capital and Cash Flow as variables to measure their influence both simultaneously and partially on the company's financial performance. Several researchers have done this, such as Asmor (2021), Sihombing (2022), Silalahi (2023), Pantjanigsih (2022) and Sirait (2018). Financial performance can be measured with use ratio finance nor from ability company in produce profit . The more the amount of cash available in company so the more tall meaningful liquidity the more tall ability company in fulfil obligation period in short . The more tall level cash turnover means increasingly fast return of incoming cash to the company . With Thus , cash will be can used return as working capital For finance activity its operations so that No bother condition finance company with thereby can increase profits for company.

Working capital and cash flow can be become reject measuring in evaluate performance company . A number of writer has do study about working capital relationship with cash flow . Besides That a number of researchers also research influence both of them to profitability company like Pantjaningsih (2022), Sihombing et al (2022), Asmoro (2021), Komsyah (2020), Aritonang (2022), Silalahi (2023), Sirait (2018), Supiyadi (2018).

Research result previously connection with working capital nor cash flow

No	Journal	Objective	Methodology	Key Finding
1	Influence profit gross , profit operations , profit net , and working capital in predict future cash flows to the company infrastructure listed on the Indonesian Stock Exchange for the 2016-2019 period  Princess Yunita Aritonang et al (2022)	Understand influence profit gross , profit operations , profit clean to cash flow	Method quantitative with use secondary data from BEI	By Simultaneous profit gross , profit operations and working capital influential significant to cash flow
2	Analysis Influence Operating Cash Flow and Working Capital To Profit Clean Pt. Angkasa Pura II (Persero) Period 2002-2016  Kurniawan Yuli Asmoro (2021)	Know Influence cash flow and working capital to profit clean	Descriptive with approach quantitative with sample report finance from 2002 - 2016	By partial and simultaneous cash flow and working capital influential positive to profit clean
3.	Overview Literature About Study Cash Flow in Indonesia for the 2017-2019 Period  Fauziah Husain (2021)	Identify and group study about cash flow	Literature review with method collect and study article	Cash Flow can developed as independent , dependent , and intervening variables
4.	Influence Profit Net , Accounts Payable and Working Capital Operational to Prediction Future Operating Cash Flows in Trading Companies Listed on the IDX for the 2015-2018 Period  Siti Komsyah (2020)	Give proof empirical about influence profit net , accounts payable , and working capital operational to predictions future cash flows	Method quantitative with sample company trade registered on the IDX	Profit net , accounts payable , and working capital influential positive to future cash flows

5.	Influence Working Capital , Assets Fixed And Operating Cash Flows To Profit Clean . Journal Indonesian Impressions  Pri Pantjaningsih (2022)	Acquire information about relationship and influence of working capital variables , assets fixed , and cash flow against profit clean	Method influence . Type study descriptive and verification in nature quantitative	There is strong relationship _ between working capital , assets fixed , and cash flow against profit clean
6.	Influence Cash Flow Against Working Capital in Fish Boiling Business Sumber Blessing Sibolga  Rapina Lasmaria Sihombing (2022)	Know influence cash flow to working capital	Method descriptive quantitative	There is influence cash flow to working capital
7.	Influence Operating Cash Flow , Working Capital and Liquidity Regarding Share Returns in Registered Manufacturing Companies On the Indonesian Stock Exchange for the 2017-2020 period Esli Silalahi (2023)	Analyze effect from operating cash flow , and ratios liquidity on stock returns	Method quantitative with sample of 175 companies manufacture	There is connection positive and significant operating cash flow , working capital and ratios liquidity on stock returns
8.	Analysis Working Capital Management In connection With Measurement MSME profitability  Afni Sirait (2018)	Analyze working capital , determining factors of working capital , and profitability company	Approach qualitative descriptive with using primary data and secondary data	Company that owns excess working capital investment tend own decreased profitability _
9.	Influence Capital Structure Against Profitability (The Effect of Capital Structure on Profitability: A Literature Review)	Know influence capital structure towards profitability	Studies literature	Capital structure matters positive to profitability



	Dedi Supiyadi et al (2018)			
10.	Literature Factors Determinants of Working Capital of Multinational Companies  Anfas (2022)	Know Factors determinant of working capital company multinational	Studies References	Working capital is largely determined by performance finance company

Source : Research Previous

## METHODOLOGY

Literature study research methodology is an approach taken by researchers to collect, read, record and manage information contained in various literary sources, such as books, journals, magazines and other documents. The aim of this literature study is to understand and reveal theories that are relevant to the problem or research objective being faced.

Some general steps in the literature study research methodology include:

- a. Collection of Literary Sources: Researchers collect various literature sources related to the problem or research objectives. These literary sources can be books, journal articles, magazines, official documents, and other sources.
- b. Reading and Taking Notes: Researchers read material from collected literature sources. During the reading process, researchers note down information that is considered relevant to the problem or research objectives.
- c. Information Analysis and Management: After recording the information, the researcher analyzes and manages the data that has been obtained. This analysis process involves an in-depth understanding of the theories found and how these theories can be applied in the research context.
- d. Discussion of Research Results: Information found from literature studies is used as a basis for discussing research results. Relevant theories are applied to provide a conceptual framework or support findings in research.

## CONCLUSIONS

Based on literature and journals from a number of researcher previously can withdrawn conclusion that :

1. Working Capital and Flow Cash Flow has very close relationship . Working Capital and flows cash flow is very blessed tightly . Working capital can be measured with see rotation cash flow at a time period time certain .
2. Working Capital and Cash Flow matter to performance company . The more tall level cash turnover means increasingly fast return of incoming cash to the company . With Thus , cash will be can used return as working capital For

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Suggestions for further research are several study Still focused on cash flow \_ general , preferably done study in a way deep to three type cash flow ie operations , investments and financing .

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